Academy
Internal Controls Evaluation

Report 2 of 3
2020-21

Academy Name: Michaela Community School
Date of Review: March 2021

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INTERNAL CONTROLS EVALUATION (ICE)

This report relates to the second of a programme of three Internal Controls Evaluation reviews. All findings contained in this report should be considered by the academy's committee responsible for providing assurance over the suitability of, and compliance with, the financial systems and operational controls in place.

Key:

- High Priority: Trustees/Governors must review this recommendation as a priority.
- Medium Priority: Internal controls should be strengthened to minimise risk.
- Low Priority: Internal control could be strengthened in line with best practice, but little risk of material loss.
- For information.
- Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.

The Juniper Education Academy ICE Service can provide assurance that appropriate financial controls are being operated within the academy, based on the understanding that the information provided during the review is accurate and complete. It should be noted however that recommendations to improve financial controls, if implemented, cannot guarantee that fraud or misappropriation could not occur.
Please note that this report is an exception report, and therefore, only contains the details of any issues arising.

Where appropriate this report contains references to the Academies Financial Handbook (AFH) effective 1st September 2020, the Anti-Fraud Checklist for Academy Trust's updated by the Education & Skills Funding Agency (ESFA) March 2018 and the Self Resource Management Self-Assessment Tool (SRMSAT).

It is advised that an action plan be established to address areas of risk identified within this report, with an associated owner and a timeline for implementation. If trustees / governors decide not to implement any recommendation included in this report as high priority, the rationale should be formally recorded in the minutes of a board of trustees / governing body meeting.

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SECTION D: GOVERNANCE AND FINANCIAL REPORTING

Scope of Work	
D1: Budget Monitoring	• 'approved budget' changes
D2: Reporting to Trustees	• financial reports • reporting responsibilities
D3: Internal Control	• financial control account reconciliations
D4: Internal Scrutiny	• follow up of previous 'high priority' ICE recommendations • review of statutory audit Management Letter

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	Findings	Recommendations / Notes	Action Plan
	D1: Budget Monitoring		
	‘Approved Budget’ Changes		
🟢	It is the academy’s policy not to make ‘in-year’ changes to the approved budget but this is not specified within the academy’s Finance Policy.	The Board of Trustees should update the Finance Policy to accurately reflect the academy’s policy on budgetary control.	New Finance Policy will address – July 2021
	D2: Reporting to Trustees		
	Financial Reports & Reporting Responsibilities		
🔴	Management accounts are not presented to the Chair of Trustees each month.	Section 2.19 of the Academies Financial Handbook states that the management accounts **must** be shared with the Chair of Trustees every month.	Working towards
🔴	At the time of the review, it was not possible to verify that all trustees have received the Management Accounts at least six times a year.	Section 2.19 of the Academies Financial Handbook states that the management accounts **must** be shared with all trustees six times a year.	This will be facilitated by the move to 6 FGB meetings

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	Findings	Recommendations / Notes	Action Plan
🔴	It could not be evidenced that the Board of Trustees review all the Management Accounts when they meet.	Section 2.19 of the Academies Financial Handbook states that the Board of Trustees **must** consider the management accounts when they meet. Evidence of review and discussion of all the management accounts should be included in the minutes of the Board of Trustee meetings.	Minutes will record that this takes place
🔴	The academy does not currently prepare a cash flow forecast.	Section 2.21 of the Academies Financial Handbook states that the academy **must** manage its cash position robustly. It **must** avoid becoming overdrawn. Section 2.21 of the Academies Financial Handbook states that the monthly management accounts **must** include cash flow forecasts.	Large reserves, plus, no danger of going overdrawn at present. Will look into how to produce cash flow reports from the accounts system
🟢	The Finance Report (month 4) reviewed did not include catering trading results.	To enable trustees to meet their statutory responsibilities for the financial management of the academy it is recommended the information provided is extended to include the item listed.	Catering trading account to be in place for September 2021

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	Findings	Recommendations / Notes	Action Plan
	The academy does not use key performance indicators to measure performance.	Section 2.22 of the Academies Financial Handbook specifies that the academy **must** select key financial performance indicators and measure its performance against them regularly.	Suggested KPIs to come to governors for approval in the autumn term

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	Findings	Recommendations / Notes	Action Plan
	D3: Internal Control		
	Financial Control Account Reconciliations		
●	The academy does not carry out regular financial control account reconciliations	The regular reconciliation of key financial control account balances is an important part of the internal financial control process within the academy. All financial control account balances will have to be reconciled for the financial year end and regular reconciliations throughout the year will help to avoid unexpected accounting adjustments arising from the year-end audit, which could affect the carry forward figure. It is therefore recommended that reconciliations are completed each month for all financial control account balances.	Finance manager carries out ad hoc reconciliations for control account balances – will formalise going forward
●	The Trial Balance dated December 2020 showed variances on the Control Accounts.	The variances should be investigated and resolved.	Investigated and resolved.
	D4: Internal Scrutiny		
○	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

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SECTION E: INCOME

Scope of Work	
E1: Receipt of Payments from Students and Parents	• income processing policy & procedures
E2: Generated Income	• income policy & procedures for generated income
E3: Internal Control – (Income Sample)	• financial discipline • audit trail • completeness of income • financial monitoring of activities • segregation of duties

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	Findings	Recommendations / Notes	Action Plan
	E1: Receipt of payments from Students and Parents		
	Income Processing Policy & Procedures		
●	The academy's Finance Policy does not reflect the income collection process from students/parents.	The academy's Finance Policy should be updated to include details of the income collection process.	New Finance Policy will address
	E2: Generated Income		
○	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		
	E3. Internal Control – (Income Sample)		
●	It should be noted that, as at the date of this review, it was advised that the academy had not received any income for trips and activities during the current financial year. It was not therefore possible to complete sample testing to verify the income collection processes for these categories of income.	Trustees should note the finding opposite and ensure appropriate processes are in place should income be received in the future.	

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	Findings	Recommendations / Notes	Action Plan
	Cash & Cheque Income: Financial Discipline		
🟢	Income received as cash or cheque is not banked into the main school bank account but included in petty cash reconciliations. When the cash balance in the petty cash tin is considered large enough a round total will be banked.	It is recommended that if cash and cheque income records are maintained through petty cash, that the bank paying in slip contains an itemised breakdown of income included within that deposit to provide a full, transparent audit trail.	Have checked with Mike Giddings and we deal with cash appropriately.
	Dinner Money: Completeness of Income		
🟡	The academy does not have a formal documented policy for monitoring dinner money arrears.	It is recommended that a policy, including a financial value and time period at which arrears are considered unacceptable, is approved by the board of trustees and ideally included in the academy's Finance Policy.	Robust processes in place, will write into a policy
🟡	The amount of dinner money arrears as at the 22nd March 2021 was £3,246.44.	Trustees should note the value of outstanding arrears and ensure appropriate action is taken.	Dinner money arrears are chased on a regular basis

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SECTION F: ASSETS

Scope of Work	
F1: Fixed Assets & Inventory	• register of insurable items • register of insurable items: physical check
F2: Fixed Asset Disposals	• disposals

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	Findings	Recommendations / Notes	Action Plan
	F1: Fixed Assets & Inventory		
	Register of Insurable Items		
🟡	The academy does not maintain a complete register of **all** insurable items. It was advised by the Finance Manager that a Register of Insurable items is currently maintained for all IT equipment & catering equipment.	The academy should have a register of **all** insurable items held. This should include sufficient detail to support an insurance claim. The Register of Insurable Items should be updated to include the capitalised assets listed on the Fixed Asset Register, where they are not already included.	To be updated over the summer holiday
	Register of Insurable Items: Physical Check		
🟡	It could not be confirmed that an independent check had been carried out of the academy's Register of Insurable Items.	The Register of Insurable Items should be subject to a full independent check on an annual basis to ensure that it is accurate for insurance purposes. The documentation relating to this check should be held on file for financial year-end audit purposes. If the check is carried out by the person responsible for maintaining the register, a programme of independent spot checks should be carried out.	To be checked over the summer holiday

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	Findings	Recommendations / Notes	Action Plan
	F2: Fixed Asset Disposals		
◯	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

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SECTION G: PAYROLL

Scope of Work	
G1: Payments for additional hours worked	• authorisation • segregation of duties
G2: Payroll processing	• sample of staff contracts and payments

	Findings	Recommendations / Notes	Action Plan
	G1: Payments for Additional Hours Worked		
	Segregation of Duties		
🔴	It was advised that the Finance Manager and Operations Manager both have the functionality to administer and approve contract changes, additional hours and mileage claims on the EPM payroll system. This functionality to the EPM system was not verified.	To ensure an appropriate segregation of duties any person with administration rights on the EPM payroll system should not also have approver rights. Only in very exceptional circumstances should a deviation from this process be applied and it is therefore recommended that the Board of Trustees reviews the EPM payroll 'administration' / 'approval' process to ensure that its members are satisfied that an appropriate segregation of duties is in place.	In practice, the Operations Manager administers payroll and the Finance Manager approves payroll. We are concerned that if one or other is ill this might delay payment of salaries – seek governor approval to continue with present arrangement
🟡	At the time of the review, it was not possible to verify that the additional hours/overtime processed had been appropriately approved in accordance with the Finance Policy.	Additional hours / overtime claims must be documented and authorised as per the academy's Finance Policy.	Overtime is approved in advance by SLT. New Finance Policy

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	Findings	Recommendations / Notes	Action Plan
			to address.
	G2. Payroll Processing		
○	Checks performed to verify items listed in the scope of work found the systems to be in order and no issues were identified.		

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Finance Manager	Ali Mansfield
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